

Sharia Law and the transition towards more democracy and a market economy – Restrictions and opportunities

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Abstract

The main source of Islamic Law, the Sharia, provides not only spiritual leadership for human beings, or guidelines how to practice the religion of Islam properly, but also includes normative implications for the design of the political and economic sphere of a state. Beyond the sheer scientific interest, these implications of Islam became relevant (again) in the context of the recent transition processes in the Middle East and North Africa. Despite not being finished yet, the transformations will raise new challenges for their perspective economies and the political systems as many religion-based parties (e.g. Al Nahda in Tunisia) become important (if not the leading) forces in their respective countries.

While many empirical studies, based on sheer quantitative approaches, conclude that, in Muslim countries, democracy—and in a way market-oriented economic principles—is less developed, most of these approaches suffer from a relevant shortcoming. Indeed, these studies include countries with Muslim majorities and take them as a proxy for the influence of Islam on democracy or the development of a market economy. But this equation may be too easy. At least in modern national states with Muslim majorities, the principles of Sharia have almost never been applied (duly) when designing the political and economic system. Consequently, these analyses—in the best case—measure the biased effects of a “mixed influence” of Sharia Law and other societal or traditional factors on democracy and the shape and structure of the economy, but not the isolated effects of the Sharia Law.

Our paper closes this gap, as we scrutinize the implications of Sharia Law in favor or against a democratic system (or transition towards it) and market-oriented economic system, focussing on the principles as laid down in the text *per se*. While Sharia Law is interpreted quite differently among Islamic scholars and groups, there are “core elements” which are more or less universally accepted among scholars and consequently are focused on in our work. First, we isolate the main lines of Sharia Law which may be relevant for the design of a political order or constitution as well as an economic system. Then, based on a triangulation approach, we examine how far the normative specifications in Sharia Law are coherent with the basics of democracy, namely separation of powers and judicial independence, rule of law, citizens’ rights, participation and accountability, and main principles of market economies, as competition and transparency. For that purpose, in addition to our theoretical analysis, we test empirically if the fact that a country has a Muslim majority makes it more prone towards a transition towards more democracy. A short summary and some policy recommendations close our paper.

1. Introduction

The main source of Islamic Law, the Sharia, provides not only spiritual leadership for human beings, or guidelines how to practice the religion of Islam properly, but also includes normative implications for the design of the political and economic sphere of a state. This duality is deep-rooted in the Quran as the main source of Islamic Law (or Sharia Law), and dates back to the times of the origin of Islam, when the spiritual leader of the then newly formed Muslim group—the prophet Mohammed—was also the political leader.

Beyond the sheer scientific interest, these implications of Islam became relevant (again) in the context of the recent transition processes in the Middle East and North Africa. Despite not being finished yet, the transformations will raise new challenges for their perspective economies and the political systems as many religion-based parties (e.g. Al Nahda in Tunisia) become important (if not the leading) forces in their respective countries.

While many empirical studies, based on sheer quantitative approaches, conclude that, in Muslim countries, democracy—and in a way market-oriented economic principles—is less developed (representative for others Fish, 2002), most of these approaches suffer from a relevant shortcoming. Indeed, these studies include countries with Muslim majorities and take those majorities as a proxy for the influence of Islam on democracy or the development of a market economy. Many of these studies reveal that in Muslim countries democracy scores are low, and the economy is a state-centred one that does not follow market-oriented principles. While the empirical study itself in most cases may be sound and of solid quality, the conclusion drawn from it seems to be problematic. At least in modern national states with Muslim majorities, the principles of Sharia have hardly ever been applied (duly) when designing the political and economic system. Consequently, these analyses—in the best case—measure the biased effects of a “mixed influence” of Sharia Law and other societal or traditional factors, but not the isolated effects of the Sharia Law.

Our paper closes this gap, as we scrutinize the implications of Sharia in favour or against a democratic system (or a transition towards a democracy) as well as a market-oriented economic system, focussing not only on the implementation of Sharia Law in practice, but also the principles in the text *per se*. While Sharia Law is interpreted quite differently amongst Islamic scholars and groups, there are “core elements” which are more or less universally accepted amongst scholars and consequently are focused on in our work. First, we isolate the main lines of Sharia Law which may be relevant for the design of a political order or constitution

as well as an economic system. Then, based on a triangulation approach, we examine how far the normative specifications in Sharia Law are coherent with the basics of democracy, namely separation of powers and judicial independence, rule of law, citizens' rights, participation and accountability, and main principles of market economies, as competition and transparency. For that purpose, in addition to our theoretical analysis we test empirically if the fact that a country has a Muslim majority makes it more prone towards a transition towards more democracy. A short summary and some policy recommendations close our paper.

2. The main lines of Sharia Law

2.1. General deliberations on Sharia Law

Assessing the impact of a religion as a root cause for economic and/or political developments or as the origin or determining factor of political or market institutions is not trivial. In most cases—to be more precise, countries or economies—the respective religious sources have never been applied one-to-one in practice, and the societal interpretation of religious rules has often been biased by tradition and sheer cultural habits. A deep-grounded, text-based analysis of the religious norms therefore has to be the first step to isolate the potential impact of the religious sources themselves.

In the following, we delineate elements of Sharia Law that may be relevant for the design of a political order or constitution as well as an economic system. This approach may not be without disadvantages. First, the authors may oversee elements with relevant, but unclear implications. Consequently, the analysis may be biased due the sheer omission of specific aspects. Moreover, if we consider the fact that most religious sources—including the Quran and the related interpretations—are coined by the social and political conditions in the time of their emergence, we have to assume that there may be a mutual causality present.

Also, it is important to note that the content of religious sources has to be accepted by the believers absolutely and without question. A failure to do so may generate problems in the analysis of Sharia Law. The Quran, for example, explicated in surah 2:2 (*This is the Book about which there is no doubt, a guidance for those conscious of Allah*) is unquestionable in terms of content. Consequently, requirements, bans and rules of any case have the characteristics of an unchangeable fundamental constitutional principle. The consequence of this self-expression of the Quran as the main source of Sharia Law has relevant implications for the influence of Sharia Law on the development of a society; the perception of which is twofold. First, as soon as there is dissent about the interpretation of specific parts of the Quran among scholars or groups, each

group has to claim the side of ultimate truth. Otherwise, they would have to cope with the self-incrimination of misinterpretation and consequently act against Sharia Law. Second, if the principles about specific issues as stated in Sharia Law do not meet secular standards (e.g. principles of democracy or rule of law), or contravene each other or laws/rules being based on other sources, the religious laws will trump. In other words, Sharia Law is entrenched within the laws of a society. Therewith, the stated “ultimate truth” inherent in the Quran (as the most important source of Sharia Law) implicitly creates a principle of legal certainty—as long as stipulated more or less clearly in the Quran, a regulation or rule is fixed.

This universal validity may turn out to become a problem if it comes to either societal developments that are not regulated in the Quran or challenges that could only be tackled by actions that are against the Quranic advice. This discrepancy cannot rationally be solved by interpretation, it can—if at all—be bypassed by ignoring specific parts of Sharia Law. Following the inherent logic of Sharia Law, the respective individual or group may not (any longer) be a “believer” in the narrow sense and may face consequences in the (earthly) society and/or the afterlife.

Another issue has to be taken into consideration in this context: In most religions and beliefs, and more so in the case of Islam, there is a fair number of sects and denominations. There is a large diversity in interpretation regarding the principles of Islam not only between the two main denominations, the Sunni and the Shia, but also among smaller groups and sects. While the Quran itself does not stand in the focus of interpretation disparities, the sayings of the Prophet Mohammed (Hadith) and other text sources are controversial and not to agree about amongst the different groups (e.g. El Baradie, 1983).

Nonetheless, the Quran itself and a number of additional texts/sources can be assumed to be binding for the vast majority of Muslims worldwide. While some modern scholars understand Sharia Law more as a theoretical ideal—but not a concrete “law”—this view is not undisputed and becomes questionable in a context of “Islamist” parties and groups that include Sharia Law in their official programs (Coulson, 1964). The Quranic approach in general is to deliver prescriptions for legal relationships among individuals in a society (mu’amalat) as well as provide advice for the relationship to God (ibadat). About 500 verses of the Quran deliver legal instructions in this sense, including principles and prescriptions for a legal, political or economic order. Additional writings as such as the Hadith—quotes from the Prophet Mohammad, collected in compilations by his followers—comprise additional rules and regulations for the individual level as well as for the society as a whole. While some of them

directly tackle ethic problems or questions of how to organize the society, some are more general in content, but allow to draw conclusions in the sense of analogical conclusion.

In addition, a number of Islamic institutions tries to provide guidance, interpreting not only specific issues for individuals, but also developing a general framework for institutions or states that want to follow Islamic principles. *Inter alia* the Al-Azhar, one of the leading Sunni institutions in the world, outlined a “constitution” that can serve as a proxy for any country that wants to model its political and economic system after Sharia Law. Taking into consideration the differences in interpretation, the preamble of the draft states that “the principles laid down in this constitution agree with those shared between the Islamic schools of law to the utmost extent possible” (cited following Ahmed/Gouda, 2014).

Focussing on the Quran, the main source of Islamic Law as the benchmark, we have to distinguish between issues that are explicitly mentioned (allowed or forbidden) or those that are not explicitly mentioned in the Quran. As for allowed or forbidden deeds or actions, the consequence for the believer are clear: rules have to be obeyed. As for the latter problem—issues that are not mentioned at all in Sharia Law—, there may be related issues mentioned that allow for a kind of conclusion by analogy. Scholars trained in Sharia Law usually conduct this practice, known as *qiyas*. However, as there is no single authority in Islam that is entitled to do so, there may be—again—different interpretations for the same problem. If there is no analogy to be found in the Sharia Law, the decisive power to answer the question if specific actions or goods are “allowed” or “forbidden” typically remains with Islamic scholars that have to come to a consent (*ijmaa'*) regarding a specific case. However, their judgements may differ depending on the respective legal tradition or “school” they belong to, so that also in these cases often consent amongst scholars is missing.

2.2. Democratic Principles

Elaborating on the question of how much of the principles of Sharia Law are consistent with democratic principles is not trivial. The sheer comparison of Islamic principles and the *status quo* of democracies—each of them following specific pathways and traditions—worldwide would lead to a biased analysis. Consequently, we decided to follow a basic definition of democracy that is based on Dahl’s (1982) approach. One distinctive factor of democracies is the fact that there are regular elections in which adult people can participate, “as well as provisions to ensure that major policy decisions are vested in elected officials” (Fish, 2002: 5). Additionally, we assume the division of powers being constituent for a democracy, also the

general application of the rule of law and the aspect of equality is included in our definition of democracy in a wider sense.

To start with, “certainly the Koranic model of leadership is authoritarian” (Zakaria, 2004: 4). From an “outsider’s view”—a scientific view that tries to analyse the content of Sharia law text-based with the implicit assumption that the respective texts were written by human beings in a historic context and not from divine origin—this can be explained by the historic context of the origin of Islam. At this time (about 622 AD), authoritarian leadership was the rule, not the exception—not only in the Arabian Peninsula, where Islam has its origin, but in most parts of the world. Democracy in the modern understanding did not exist. Consequently, expressions as “democracy” or “elections” do not appear in the Quran or other text sources that constitute Sharia law. Also the *status quo* of most countries with Muslim majorities is one of a more authoritarian model of leadership. Consequently, some authors argue that democratic values are not coherent with the Muslim tradition: “The idea of representation, of elections, of popular suffrage, of political institutions being regulated by laws laid down by a parliamentary assembly, of these laws being guarded and upheld by an independent judiciary, the ideas of the secularity of state... all these are profoundly alien to the Muslim political tradition” (Kedourie, 199: 5).

Evidence from many countries with Islamic majorities worldwide suggests that this observation is correct—most of these countries are neither democratic nor are following an economic path that is close to a free, social market economy. But does that automatically mean that democracy (or at least democratic values) are not rooted in the Quran or the Sharia Law as such, or that they are generally refused? In several ways, this has to be questioned. One important aspect may be that there is some antiauthoritarian aspect inherent in Islam, as the authority of what form ever has only to be obeyed if the rules are in keeping with the Sharia (Zakaria, 2004). Consequently, the sheer formal existence of democracy does not mean that it is real, while the absence of explicit signs does not necessarily mean that democratic values are not existent, as, for example, stated by Zakaria for the Arab countries in modern times: “Economic, civil, and religious liberties are at the core of human autonomy and dignity. If a government with limited democracy steadily expands these freedoms, it should not be branded a dictatorship” (Zakaria, 2004: 19).

Consequently, we have to analyse if there are concrete parts of Sharia law that restrict the introduction of a democracy. To start with, the principle of the division of powers (*taadud as su-sulaat*) is well-known in Islam and covered by the Quran itself. Also, consultation has a

high value, decisions should not be made by a single individual alone, but—as much as possible—be based on the consent of the community. Surah 42:38 (*And those who have responded to their lord and established prayer and whose affair is [determined by] consultation among themselves, and from what We have provided them, they spend*) can be understood in that sense and is often interpreted in the way that a “shura” or mutual consultation is mandatory for (political) decision making.

Following this interpretation, one of the main principles of democracy can be seen as given in Islam, even if elections or the selection mechanism for the members of this consultation is not explicitly mentioned. Sharia law prescribes that authorities have to be respected—or, in a wider sense—rules have to be obeyed. This is expressed in Surah 2:247 (*And their prophet said to them, "Indeed, Allah has sent to you Saul as a king." They said, "How can he have kingship over us while we are more worthy of kingship than him and he has not been given any measure of wealth?" He said, "Indeed, Allah has chosen him over you and has increased him abundantly in knowledge and stature. And Allah gives His sovereignty to whom He wills. And Allah is all-Encompassing [in favor] and Knowing."*). It is also important to note that the passage suggests—in some cases—God himself selects the leader of a society. Following the logic of Quran, this applies only on leaders mentioned in the Quran. While in these cases the human will may be (or have been) of inferior relevance, they are not of practical relevance—as the “Quranic time” has passed, no currently living individual could perceive itself as being sent by God. Consequently, in any time after the revelation of Quran, only human beings can decide about their leaders. And there is no indication in Sharia Law that this selection should not follow principles of majority or consent, but quite the contrary.

The principle of rule of law (*siyadat al qanun*) is also implicit in Sharia Law—generally, human beings have to be treated justly and equally, discrimination against individuals due to their sex, origin or social status is not allowed. This principle can be drawn, for example, from Surah 4:7 (*For men is a share of what the parents and close relatives leave, and for women is a share of what the parents and close relatives leave, be it little or much - an obligatory share*); a general principle of equality is often derived from this passage. Justice is of pivotal significance in Sharia Law, whether it be in the relations among citizens or between the state and the citizen. An excerpt from Surah 38:26 illustrates this: [*We said*], *"O David, indeed We have made you a successor upon the earth, so judge between the people in truth and do not follow [your own] desire, as it will lead you astray from the way of Allah."* Indeed, those who

go astray from the way of Allah will have a severe punishment for having forgotten the Day of Account.

The question of gender equality is explicitly mentioned in Quran, in particular Surah 4:34 is the most influential source in this context: *Men are in charge of women by [right of] what Allah has given one over the other and what they spend [for maintenance] from their wealth. So righteous women are devoutly obedient, guarding in [the husband's] absence what Allah would have them guard. But those [wives] from whom you fear arrogance - [first] advise them; [then if they persist], forsake them in bed; and [finally], strike them. But if they obey you [once more], seek no means against them. Indeed, Allah is ever Exalted and Grand.*

Some scholars draw a general superiority of men draw from this text module, for instance concluding that only men are qualified to lead the community and act as judges. Other schools interpret this piece of text in the way that men have a general obligation to care for their wives, in terms of monetary alimention and providing a kind of “social shelter”. In turn, they are allowed to sanction their wives (not women in general) if they do not fulfil their respective duties. This interpretation does not draw a general conclusion from that text for the societal role of women. Nonetheless, all Islamic scholars agree that men and women have the same value as individuals and human beings, but not necessarily the same position in a society. The same applies to “believers” and “non-believers” that may have a very different role or position in the society, and are not necessarily treated equally. Consequently, a real “equality” in a modern sense is not designated in Sharia Law, but also not impossible if Sharia principles are applied—in the respective cases, an unequal treatment is possible and justified by Sharia Law, but not mandatory. If a society agrees that elections and decision-making processes based on majority rules are acceptable, properly interpreted, the Sharia Law cannot be used to circumvent this.

2.3. Social Justice and the Market

Following Walter Eucken, the order of an economic system includes all forms and kinds of direction and control that shape the economic processes *in concreto* (Bernd, 2002). This definition includes institutions as well as procedures as long as they are influencing the economy, and goes far beyond a sheer trade-related approach. Based on this, a fair number of regulations and prescriptions within the Quran or Sharia Law in general can be interpreted as being constituent for an “Islamic economic order”, even if they do not shape markets in the narrow sense. As the links towards the more political regulations are tight, in particular when it comes to issues of (social) justice, and caused in the sheer number of texts on that issue, we

focus only on a selected number of instructions. Concretely, while we included all aspects of an Islamic economic order that may be of relevance in our research, we scrutinize only a limited number of aspects for further analysis, in particular with a view on the “reality check”.

With regards to economic actions in general, and therewith constituent for an economic order with its institutions and processes, the following principles are inherent in Islam:

- Fairness is the most important rule in business activities (Surah 4:29: O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent).
- *Pacta sunt servanda*—contracts have to be fulfilled even if a (financial) loss may be the consequence.
- (Financial) benefit must not be drawn from market actions of arguable morale, based on stealing, fraud and so on, “forbidden” goods (goods that are not allowed for consumption by Quran, so-called halal-goods) must not be traded.
- Unfair competition and misleading advertisement is forbidden, a duty of customer information is given for the provider.
- Bribery and corruption is forbidden.
- Hoarding and artificial stringency of supply shall not take place, as well as a general exploitation of the other, weaker market side is forbidden.
- Prohibition of interest, but allowance of transparent risk-sharing arrangements using equity instead of debt.
- Social justice shall take place and has to be aspired by the single individual, the society as a whole, and the state bodies (e.g. by the payment or collection of specific taxes as e.g. Zakat). This ideal of justice—*adalah*—should be obeyed in any transaction, institutions should be created according to this principle.

Beyond the mentioned aspects that may be used to shape a concrete economic order, the general principle of allocation and social justice is deep-rooted in Sharia Law (for example, mentioned in Surah 4:5: *And do not give the weak-minded your property, which Allah has made a means of sustenance for you, but provide for them with it and clothe them and speak to them words of appropriate kindness*).

2.4. Property rights:

Following the Quran itself, but also other sources of Islamic Law, private property is protected, even if in some cases it may be necessary to share own property with others in need (e.g. Surah 53, 39). Theft is forbidden, the legal punishment in these cases is hard—as a regular punishment, and a thief will lose his/her right hand. This sentence works not only as a direct punishment, but also has a signaling function towards third parties that the respective individual is not trustworthy. Nonetheless, ultimately every property is perceived as belonging to god, as, for example, stated in surah 2 and 7:

2:107: Do you not know that to Allah belongs the dominion of the heavens and the earth and [that] you have not besides Allah any protector or any helper?

7:128: Said Moses to his people, "Seek help through Allah and be patient. Indeed, the earth belongs to Allah. He causes to inherit it whom He wills of His servants. And the [best] outcome is for the righteous."

In that understanding, even if human beings can possess physical items, these objects are not property in the narrow sense (as understood in most modern legislations). Human proprietors are only surrogates for the divine owner (khilafa) (e.g. Surah 11: 87). Individual property therewith is metaphoric (majāzī), not real (haqīqī). This also implies that property in the Islamic sense must not be used for actions that are not consistent with Sharia Law, as for example the production of forbidden goods.

In summary, an Islamic economic order, based on the principles delineated above, and a modern (social) market economy are compatible, for the principles *per se* and the ethic norms they are grounded on are quite similar (Nienhaus, 2010). Even if single principles, for example the stance on property, differ from each other this does not mean that Sharia Law would preempt the implementation or development and the sound performance of a (social) market economy. As for the institutional and procedural adoption of democratic principles, most of them are inherent in Sharia Law (being it directly mentioned or to be withdrawn by analogical conclusion). Gender inequality and the resulting consequences may be the most relevant impediment to a democracy that follows the pathway as in most western states, as it is explicitly mentioned in Sharia Law that men and women are not equal. Nonetheless, as unequal treatment

of sexes or groups may be allowed, but is not mandatory, this fact cannot be interpreted as a general impediment for the introduction or sound performance of a democratic system.

2.5. How “Islamic” are “Islamic States”?

If, as our finding from analysis delineated above, Sharia Law itself cannot be held accountable for the lack of democracy or the missing of free and social market economy in countries with Muslim majorities, the question arises what factors can be held responsible instead. One explanation could be that an omitted variable bias exists. Alternatively, it may be that in states that face Muslim majorities or claim to be “Islamic” a real inclusion of Islamic principles in state organization or market processes is not given. The next step of our analysis consequently strives for answering the question in how far countries with Muslim majorities can be classified as being “Islamic”, and which implications for empirical analyses follow from that.

Scrutinizing regimes and countries in the Middle East and North Africa, but also in Indonesia, Malaysia and other parts of the World that are populated by people that would classify themselves being Muslims, the question if these countries or societies follow the “right path” of Islam (in the sense of the inclusion of principles of Sharia Law into the political and economic order) is not easy to answer. A detailed, qualitative examination not only of the constitutions of these countries, but also other legal sources, custom law and additional regulations as well as the concrete execution would be necessary to answer the question in how far a specific country is “Islamic” in this understanding. Despite being promising in general, these constrictions make the approach ineligible for large cross-country studies, in particular if changes over time (in a panel approach) have to be taken into consideration, as reliable information on former legislation, and even more the real execution is hard to get. Additionally, the approach suffers from the fact that only the “official” or public attitude can be captured. It is possible that a country refers to Islamic principles in its constitution or the complete legal framework, but nonetheless the analysis remains biased as the population does not follow these principles in the daily business. The subsequent analytical bias in these cases would be high if the enforcement of the rules is not properly given. Consequently, as the methodological hurdle for this kind of research is high, empirical evidence on that aspect is scarce. We keep this part short and rely on a current study of Ahmed and Gouda (2014) that analyses in how far constitutions include Islamic principles. If doing so, following our analysis above, we could assume that the respective countries at least have the potential for democratic structures and a social market economy.

The authors found that only about the half of countries with a Muslim majority have Islamic features in their constitution (Ahmed/Gouda 2014). As for the other fifty percent, despite having a Muslim majority, Sharia Law is not reflected in the constitution. This can mean that the respective countries nonetheless follow democratic and market-oriented principles as well as the contrary. Consequently, this indicator is only of limited value if it comes to the (empirical) test: One could take the “constitutional Islamic” countries and include only them in an empirical analysis, following the implicit assumption that the Islamic principles are properly executed. While this approach would lead to a limited data basis and eventually would require additional qualitative data on the execution practice, it may not be the best choice.

Consequently, we introduce an innovative view on using the “old” indicator Muslim population/majority (being it as a percentage or a dummy variable) as an explanatory factor in a new way: previous studies mostly focused on the *status quo*—the existence of democratic structures and a market economy in a country, using Muslim population as a predictor. Following our delineations above, this approach is highly questionable.

As an alternative, we provide the idea of using Muslim population not as a predictor of the *status quo*, but the likelihood of change. The ratio behind our approach is as follows: independent of the existing system, may it be “Islamic” or not, it is plausible to assume that the vast majority of Muslims will follow the principles of Sharia Law whenever possible. This assumption is backed by the fact that in (international) polls most people that classify themselves as being Muslim also rate themselves as being very religious, including religious principles in their every-day life. Consequently, it is plausible to assume that Muslim societies strive to change regimes or state systems that are not in line with Sharia principles. If these regime changes are successful, so our assumption, this should also lead to increased democracy scores in the “modern” definition. While this approach surely is not without disadvantage, we nonetheless assume that it can deliver interesting insights. Independent of the *status quo* that might be insufficient (measured with the indicators provided by Sharia Law, also by “modern” democracy scores), but can be caused by historic path dependencies in the respective country, the pressure for change could be one indicator that Muslim people, based on the principles in Sharia Law, strive for more democracy and/or a social market economy in their countries.

3. Does Sharia Law allow for democratic transitions and the introduction of a social market economy? Limited empirical evidence

Based on our delineations on civil disobedience if Islamic principles are violated, and the assessment that “democratic values” are included in or covered by Sharia Law, we assume that in all Muslim countries people should strive for more democracy if it is restricted in the prevalent system. The same applies to the principles of a free market and social justice in the society. Focussing in a restricted approach only on one dimension, the former one, we develop a model that focuses in how far the pressure for change towards a more democratic regime can be (co-)explained by the fact that a country has a Muslim majority.

While a number of papers from different disciplines focused questions of regime change within the last decades, empirical evidence is still limited. In particular, a general theory of transition and regime change—in addition to Tullock’s (1974) famous contribution—is missing, the more if it comes to the question of the role of Islam for democratization and the shift towards a market democracy. Islam in this context can be interpreted as a specific institution, coagulating in specific norms, rules or organizations. “Institutions matter”, so the widely accepted statement of the new institutional economics, as they regulate human behavior by providing rules “for the game” as well as representing the output of the game.

As delineated above, our main research interest is in how far the “textual” prescriptions and rules in Sharia Law—interpreted as institutions—allow for or, in other words, contribute to a shift of a country’s regime towards more democracy, or a “democratic revolution”. In the empirical part of our study, we take a Muslim majority or the share of Muslims in a country as a proxy for “Islamicity” or the inclusion of Sharia principles. Consistent with the considerations outlined above, we test whether the fact that a country has a Muslim majority influences the likelihood of a successful “democratic regime change” in the sense of the sustainable introduction of democratic institutions and principles in a country, resulting in higher governance scores afterwards.

For that purpose we scrutinize all insurrections or revolutionary movements that are conducted by the people (and are therewith not only a *Coup-d’Etat*) for a world sample. The outcome variable “regime change” only indicates if there has been a people-driven regime change, being it to the better or the worse (in terms of democratic participation afterwards). To measure “successful regime change” we used the variable “Regime Transition” as provided by the variable Polity2 from the Polity IV Data Set. We understand a regime change as being successful if the database provides “major democratic transition” or “minor democratic

transition”, which indicates that the regime change has led to an increase in democratic participation (as expressed following Polity IV in a 3-point change in the average Polity2 variable at least. The “quality” of democracy in Polity2 is ranging from -10 to +10, higher values indicating more democracy). We tested both alternatives—the sheer fact that a regime change takes place, but does not lead to higher democracy values, as well as the situation that a “sustainable” regime change takes place that leads to higher democracy values afterwards. Using dummies for “regime change” and “successful regime change”, we ran several models, including Islam as one explanatory variable. Additionally, we control for other economic, political and demographic factors that also may explain the emergence of “regime changes towards more democracy” in our definition, for example, the wealth of a country, the age structure, missing migration opportunities and so on.

Depending on the data given (unbalanced panel, for units i at time period t) our model could simply be written as follows:

$$Y_{it} = \beta_0 + \mathbf{x}_{it}\boldsymbol{\beta} + \varepsilon_{it}$$

With $i = 1, \dots, N$ ($N = 92$) countries, $t = 1, \dots, T$ time periods (3 periods with 5 year averages, 1991-1995; 1996-2000; 2001-2005 as well as 1986-1990 for lagged variables). \mathbf{x}_{it} is a $1 \times K$ -vector of the explanatory variables, $\boldsymbol{\beta}$ is a $K \times 1$ -vector of coefficients.

As there are no fixed effects or time effects, so we use a pooled cross-country model.

$$Y_{it} = \beta_0 + \beta_1 x_{1it} + \dots + \beta_k x_{kit} + \varepsilon_{it}$$

with ε_{it} as error term, $E(\varepsilon_{it}) = 0$ and x_1, \dots, x_k as independent variables. As the dependent variable¹ is a binary one, we conduct the transformation as follows:

$$\text{Logit}(\pi) = \beta_0 + \beta_1 x_{1it} + \dots + \beta_k x_{kit} + \varepsilon_{it}$$

With $\pi \in [0; 1]$: $\text{logit}(\pi) = \log(\pi/(1-\pi))$ and

$$\text{Logit } P(y_{it} = 1 | \mathbf{x}_{it}) = \beta_0 + \beta_1 x_{1it} + \dots + \beta_k x_{kit} + \varepsilon_{it}$$

The regression coefficients in this model can be interpreted as the rate of change between the independent variable and the log of the change of the dependent variable. These log odds are not easy to interpret—the relevant information in these models comes from the

¹ The binomial distribution, a discrete probability distribution reflects the number of successes in a sequence of n independent trials or experiments, each of which yields success – e.g. regime change or no regime change – with probability p .

significance level of the variable and the direction of the sign (positive or negative effect on the dependent variable), so we decided to display $\exp(\beta)$ instead.

The outcomes of several regressions can be drawn from Table 1. As in this study we are only interested in the influence of the religion of Islam, we put aside our other findings and focus on the impact of religion here. Interestingly, there is no significant influence of the factor “Islam” on the likelihood that a regime change takes place at all or is “successful”, neither in the models displayed nor other models tested. The same applies to countries with a Muslim minority. “Being Muslim” for a country therefore does not seem to foster nor to hinder the emergence of democratic institutions in the respective country, at least in the short run (see also Möller 2013).

Table 1: Regression Results: Regime Change

Parameter	Exp(β) i) successful regime change	Exp(β) ii) regime change	Exp(β) iii) regime change	Exp(β) iv) successful regime change
Constant	0,066*	0,080*	0,052*	0,009*
Dummy Muslim Majority	1,068	1,080	0,884	1,377
Dummy Youth Bulge	2,042**	3,092*		
Dummy Missing Migration Opportunity	3,102*	2,540*		
Dummy Migrant Worker Convention	0,759	0,507		
Gulf Cooperation Country	1,447E-009	8,815E-010		
GDP per capita (average)			0,892*	
<i>Polity2</i> (average, lagged)			0,969	

Missing Migration Opportunity * Polity2			1,035	1,073***
Missing Migration Opportunity * Youth Bulge			13,114*	37,641*
Significance: * 1%, ** 5%, *** 10%				
Logit, Binomial				
i: 265 N, ii: 364 N, iii: 265 N, iv: 265 N				

This finding only on the first sight may be disappointing: as delineated in the first, text-based part of our analysis, Sharia Law includes most democratic principles at least implicitly. Nonetheless, this by no means implies that countries with an Islamic population or constitutions following Islamic principles should be more prone towards democracy. Rather this implies that they should be—on average—as democratic as other countries as long as no further factors exist that restrict democracy. Consequently, the fact that the indicator “Islam” has no significant influence to the better or the worse is completely in line with our theoretical argument².

4. Conclusion and Outlook

The background of this paper is twofold: first, we aimed to provide a text-based analysis in how far the “mainstream” Islam (in other words, those sources of Islamic or Sharia Law that are more or less accepted without controversy by all religious groups or sects of Islam) provides principles that are consistent with the principles of modern democracies and/or social market economies. As we found, most Islamic principles concerning the creation or existence of a social market economy concord with the principles applied in modern legislations worldwide. As for principles regarding democracy—accountability, participation, but also rule of law or equality—our judgement is a little less “positive” in the sense that there are some Islamic principles that contradict the principles of modern democracies. In particular the principle of

² As mentioned, the authors assume – based on theoretical delineations e.g. by Hirschman or Fuller – that migration options (“exit”) or the demographic structure (“Youth Bulge”) of a society play a role when it comes to the question if a regime change towards more democracy takes place. These factors have been tested for (in some of the models displayed above as well as in other models) and provide a high explanatory value. As the focus of this paper is on the role of Sharia Law, we do not further elaborate on our findings, even if it may be promising to test some of these factors in interaction with the factor “Islam”.

equality before the law may be problematic in this context, as the persistent inequality of men and women inherent in Islam cannot be ignored. Nonetheless, regarding democratic participation, accountability and elections, Islamic Law does not constrict these principles of “modern” democracies. According to these findings there should be no significant difference between states with Muslim majorities and other societal compositions if it comes to the prevalence of democracy.

Based on this text-based analysis, in a second step we delineated a simple empirical model to test if countries with a Muslim majority are more or less prone towards a (sustainable) regime change towards more democracy. As indicated by the results of several empirical models we ran, Islam has no influence at all—regime changes that lead to more democracy afterwards are not more or less likely if an Islamic population majority is given. Consequently, we could conclude that despite Sharia Law includes most “democratic principles”, it has no significant positive, but also no negative influence on the emergence of democracy. Naturally, this empirical approach is not without disadvantages, as delineated above. It would for sure be beneficial to enlarge this model—not only towards the second question tackled in this paper (influence of Islam on the emergence of a market economy), but also using more elaborated measures for the “Islamicity” of a country. As the provided paper is only a starting point, we will include these considerations in further research. In particular a mixed approach, using the “Islamicity Index” as developed by Ahmed and Gouda (2014) as well as other measures controlling for the implementation of Sharia Law in real political and economic orders seems promising and will be tackled first.

Nonetheless, and interpreting—theoretical as well as empirical findings with caution—our paper may contribute to the scientific and societal debate on the role of Sharia Law in two ways: first, as we did not find much evidence in the religious texts that Islam itself is the stumbling stone for the introduction of democratic principles in a society. With a view on the current situation in many Arab countries this may be promising for further development—as religion can be interpreted as one of the persisting, long-run institutions of a society, this factor would be hard to “change” (even if the political will would be given) in the short run. “Islam” cannot longer be taken as an excuse or justification for a lack of democracy in these countries—neither by the societies itself, nor by foreign or international actors that often argue that way. Second, discussing the—increasing—role Islam plays in “Western” societies, our findings may give some hints that an “integration” also of “religious” Muslims in these societies is not impossible.

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